Saskatchewan
Local Government
Finance
Commission

Background Paper on Local Government Financial Issues

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PREFACE

The Local Government Finance Commission was established by the Government of Saskatchewan in May, 1984 to review and identify options for possible changes on a broad range of financial issues facing local governments.

The Commission has eight members:

- Ray Clayton, formerly Deputy Minister of Urban Affairs and Deputy Minister of Education is the full-time chairman.

- Don Rowlatt, Associate Deputy Minister of Finance, is the vice-chairman.

Six additional members with an extensive background in local government and community affairs have been chosen to ensure a wide range of representation and input of ideas:

- Ted Brady, past president of the Saskatchewan Urban Municipalities Association and past president of the Federation of Canadian Municipalities, representing S.U.M.A.

- Ike Thiessen, vice president of the Saskatchewan Association of Rural Municipalities, representing S.A.R.M.

- Nick Volk, past president of the Saskatchewan School Trustees Association representing S.S.T.A.

- Florence Eileen (Lol) O'Shaughnessy, former municipal council member (member-at-large).

- Herve Langlois, Deputy Director, Administrative Services, Saskatoon Public School Division (member-at-large).

- Bob Linner, Prince Albert City Commissioner (member-at-large).

The Commission has a two-year mandate to review a number of local government financing issues including:

- capital requirements and funding mechanisms
- provincial-municipal revenue sharing
- financing elementary and secondary education
- the property tax structure
- the role of property tax rebate programs
- alternate revenue sources
- local funding of hospitals
- local funding of libraries
- assessment principles and processes
- property tax collection processes
- tax abatements
- commercial-industrial property tax sharing
- possible shifting of program responsibilities

The Commission will be having extensive consultations on these and other issues with interest groups, organizations and individuals. This consultative process will involve a Fall Conference in late September, 1984 and a series of regional meetings from mid-October to mid-November, 1984.

INTRODUCTION

Local governments are responsible for providing a wide range of services. Not only have the services provided by local governments increased over the years, but the cost of providing those services has also increased. The major sources of funding for these services are property taxes and transfer payments from the provincial government.

Changing economic and fiscal circumstances have resulted in financial pressures and the need for restraint at all levels of government. There is increasing public concern about the level of local services and the increasing cost of financing those services both directly through property taxes and indirectly through income taxes and other taxes which are used by the province to supplement local revenue sources. There is also concern about the division of responsibility between various levels of government and the impact this has on local autonomy and accountability.

The methods for financing local governments have evolved over time and may no longer be appropriate to meet the needs of the future. The Government of Saskatchewan has decided that it is time to review these methods and consider whether new approaches might be better for the years ahead.

The Local Government Finance Commission was established to examine these and other concerns related to the financing of local government and to identify options for change. In carrying out its review, the Commission will depend heavily on input from local governments, citizens and organizations who have an interest in and are affected by local financial issues.

The Commission will host a major conference on September 26 and 27, 1984 to identify concerns about local government finances, and to discuss the problems and possible solutions. The Conference will be the first major step in an extensive consultative process.

The Commission has prepared this Discussion Paper as a way of assisting organizations to prepare for the Conference by outlining background information on local government finances and suggesting broad issues related to local government financing.

The paper provides background information on revenues, expenditures and financial status of local governments and on provincial government transfer payments which impact on the finances of local government. The paper also outlines broad issues which must be addressed before options for change can be identified.

The Commission anticipates that organizations will use this paper as a starting point in preparing for the Fall Conference and that other broad issues not raised in the paper, will be presented. A thorough discussion can then be held at the Conference on these issues, areas of concern about local governments finances, possible structural impediments to resolving local government financial problems, and the possible options for change.

The Commission wants to examine the financing of local government in the broadest context and, based on a thorough review of all of the issues and extensive consultations, develop options for change which will address the various aspects of local government financial arrangements.

MAJOR ISSUES

The financing of local government has evolved over time in response to changing requirements. An assessment of the current financial status of local governments and financing arrangements should be done based on consideration of a number of fundamental issues. The Commission asks that participants at the Fall Conference address the following major issues:

1. Taxes Paid and Services Received by Taxpayers

   Conference participants should consider the level of services received by taxpayers from local governments and their ability and willingness to pay for those services through all of the various taxes they pay. What are the limits on the taxpayer's ability to pay for these services? Is there a direct link between the level of services received by or available to a taxpayer and the taxes paid?

2. Program Responsibilities and Fiscal Capacity of Local Governments

   Conference participants should consider the relationship between program responsibilities and the ability of local governments to pay for these programs. In particular, what is the nature and extent of the financial requirements facing local governments? Local government organizations should outline the programs and services local governments provide and those they believe that should or should not be provided by local governments. What needs are not being met? What priority should be placed on various programs? To what extent is there equity between taxpayers in terms of access to a similar level of service?

   Are there limits on provincial and local governments' ability to finance these programs, considering various sources of financing such as property taxes, grants, external borrowing and user charges. To what extent can more use be made of any of these or other financing sources?

3. Autonomy and Accountability

Consideration should be given to the importance of autonomy and accountability for local governments. What is meant by autonomy and accountability in the local government context? Which programs require a higher degree of local autonomy in the delivery of the program in order to ensure that programs are responsive to differing needs in different communities?

How do various funding sources available to local governments enhance or reduce their autonomy? Is direct control of the funding source essential to local authority over programs?

To what extent should local autonomy over programs be linked to financial responsibility for the funds needed to pay for those programs? Is financial responsibility lessened when one government body collects the funds and another spends the funds? To whom are local governments accountable for the various revenue sources available to them? Since taxpayers pay different types of taxes to provincial and local governments, whom do they hold accountable for each type of tax paid and for the services received? What is the nature of the accountability of local governments for various funding sources? Are there ways of improving accountability for each funding source?

Do the current financial arrangements adequately encourage local governments to set priorities and undertake long-term planning? Do some sources of funding lessen or distort priority-setting by local governments? Are there structural impediments to autonomy and accountability in any of the revenue sources available to local governments?

4. Access to Services and Equity of Revenue Sources

Equity of tax sources involves an examination of who receives services and who pays for those services. To what extent should there be a direct link between the use of a service and the payment for that service? What is the relationship between accessibility to services and ability to pay for services? What are the most

equitable tax bases for the provision of local services? What are the distributional effects on taxpayers of various sources? Equity also involves the structure of the revenue sources. For various revenue sources, is there equity between taxpayers in terms of the burden of taxation and how can equity be enhanced? Are there structural impediments to achieving equity in various tax sources?

5. Availability and Administration of Revenue Sources

Conference participants should consider the availability of various revenue sources that might be used by them and the administration aspects of each source.

To what extent are the various revenue sources available to local governments an efficient way of raising funds?

In looking at efficiency of revenue sources, Conference participants should consider the administration of the taxes or other revenue sources and how this could be enhanced; the taxpayer's ability to understand the tax or revenue source and relate it to services received; duplication of services or program delivery.

6. Structural Considerations

In considering local government financing issues, participants should look beyond current program and organizational arrangements. Are there changes which could be made to improve the effectiveness and efficiency of these programs and organizational arrangements. What would be the advantages and disadvantages of such changes?

Is there a need for redistributing responsibilities between local and provincial government levels. Are there entirely new approaches to the raising of revenues for local purposes which should be considered?

These and other major issues of concern to local governments and organizations affected by local governments should be raised at the Conference so that the Commission will have a full understanding of the nature and magnitude of the issues related to local government financing.

A. Urban Governments

Saskatchewan has 506 urban municipalities in 1984. These municipalities are incorporated under The Urban Municipality Act and range in size from summer resorts with no permanent population to large cities, such as the City of Regina which had a population of 162,984 in 1981. There are a large number of smaller communities in the province. For example, of the 506 urban municipalities, 367 have a population of less than 500.

Over the period of 1971 to 1981, there have been significant changes in the overall population of the province and in the proportion of persons living in urban and rural municipalities. The overall population declined during the early 1970's, but has since increased to 968,313 in 1981. Saskatchewan's population in April, 1984 was estimated at 1,003,300. The number of residents living in urban municipalities increased in absolute terms from 607,810 in 1971 to 686,461 in 1981 and as a share of the total population from 65.6% to 70.9% during the same period. (Appendix I).

These urban governments have a number of sources of revenues to fund the various services they provide. Over the 1971 to 1982 period, there have been significant changes in the magnitude and sources of urban government revenues and in the magnitude and types of expenditures.

1) Operating Revenues

For the period 1971 to 1982, urban government operating revenues have increased from $79.7 million to $364.1 million, a compound average annual rate of growth of 14.8%. (Table 1).

TABLE 1
Total Operating Revenues by Category - Urbans
($ millions)

Year	Taxes	Grants in Lieu of Taxes	Other Own Source Revenues	Unconditional Transfers (1)	Conditional Transfers (1)	Total Operating Revenue
1971	$ 49.5	$ 5.1	$ 18.7	$ 0.2	$ 6.2	$ 79.7
1972	53.0	5.3	24.3	0.1	7.2	89.9
1973	56.2	5.5	28.2	0.0	5.4	95.3
1974	60.2	6.0	32.5	8.1	7.7	114.5
1975	69.2	7.3	36.7	14.2	10.7	138.1
1976	82.3	9.4	49.0	14.3	12.3	167.3
1977	96.2	10.0	55.4	16.5	16.0	194.1
1978	105.8	12.1	60.3	33.6	12.3	224.1
1979	113.0	14.1	77.9	44.4	15.0	264.4
1980	127.2	15.6	85.8	46.9	13.9	289.4
1981	148.7	18.5	95.4	51.6	11.9	326.1
1982	168.9	24.6	98.5	57.5	14.6	364.1
Compound Average Annual Increase	11.8%	15.4%	16.3%	67.3%	8.1%	14.8%

Note: (1) Transfers include a small amount of funds transferred from other local governments ($0.2 million in 1971 and $0.6 million in 1982).

(2) For a percentage distribution by type of revenue, see Appendix II.

The sources of urban revenues over the period 1971 to 1982 have shown significant shifts. Urban property tax revenues have increased from $49.5 million to $168.9 million over the 1971 to 1982 period, but declined as a percentage of operating revenues from 62.1% to 46.4%. Transfers from other levels of government have increased from $6.4 million or 8.1% of total revenues to $72.1 million or 19.8% of total revenues. (See Appendix II).

(a) Property Taxes

Property taxes are a major source of local revenues to finance urban municipal services. They are determined by the Council annually establishing a uniform mill rate which is applied to all taxable assessment within that jurisdiction.

The terms "equalized assessment" and "equalized mill rate" are used as a means of bringing assessments and mill rates in the province to a comparable basis since reassessments have been completed in some municipalities but not in others.

(i) Mill Rates

Weighted average equalized mill rates for urban governments have increased from 39.7 to 87.4 over the 1971 to 1982 period, a compound average annual rate of increase of 7.4%.

(ii) Assessment

From 1971 to 1982, total equalized assessment for all urban centres increased from $1,014.6 million to $1,667.4 million, a compound average annual rate of increase of 4.6% over the period.

(b) Transfers from Other Governments

(i) Federal Government Transfers

Federal government transfers have fluctuated over the 1971 to 1982 period and increased from $0.2 million in 1971 to $0.6 million in 1982, a compound average annual increase of 10.5%.

(ii) Provincial Government Transfers

Provincial government transfers have increased from $6.0 million in 1971 to $70.9 million in 1982, a compound average annual rate of increase of 25.2%. The nature and extent of transfers from the provincial government has changed substantially over this period with the implementation of a revenue-sharing program in 1978.

Prior to 1978-79, most operating grants to municipalities were made in the form of conditional grants. Beginning in the 1978-79 fiscal year, the provincial government

rolled a number of these grants into separate revenue sharing pools for urban and rural municipalities. These pools were to be "escalated" each year in accordance with the growth in four major provincial tax bases.

The escalator was initially calculated as the average of the year-over-year percentage change in the bases for the personal income tax, the corporate income tax, the sales tax and the gasoline tax. A three year moving average was later used to enhance the stability and predictability of the escalator.

In 1981, the provincial government changed the calculation of its gasoline tax from so many cents per gallon to a percentage of the value of the gasoline. Subsequently, both urban and rural municipalities requested that the gasoline tax base used in calculating the escalator be changed from a volume to a value measure. For the 1982 budget, the province enriched the sizes of the pools over and above the escalator for the 1982-83 fiscal year and agreed to a consultative process with the municipalities to review alternative escalator formulae. Later in 1982, the gas tax was eliminated. Since then, discussions have been ongoing in an effort to find a suitable replacement formula, but for 1983 and 1984 the escalator has not been used and increases of 7% and 5% respectively have been added to the revenue sharing pools.

The primary purposes of the new revenue sharing system were to provide municipalities with another major revenue source, to link the growth of that revenue source to an index of economic growth as opposed to having it subjected to the annual rigors of the provincial budgeting process, and to maintain and strengthen the autonomy of municipalities through an increased degree of unconditionality.

The urban municipal grants rolled into revenue sharing were police grants, per capita grants and equalization grants.

The urban revenue sharing pool is currently distributed as follows:

TABLE 2
Provincial Revenue-Sharing Transfers - Urbans
Estimated 1984-85

Type of Distribution	$ Millions	
Basic	$ 1.323	
Per Capita	37.122	
Foundation	25.431	
Guarantee	.469	
Total Unconditional	64.345	$ 64.345
Fire Protection	.285	
Recreation	.541	
Total Conditional	.826	.826
Grand Total		$ 65.171

In 1984, the basic grant will be $2,075 for municipalities with a population from 0 to 149; $2,760 for municipalities from 150 to 299 and $3,000 for those 300 and over, for a total of $1.3 million.

The per capita grant will be $54.45 in 1984 providing $37.1 million of the pool, while the foundation grants will amount to $25.4 million.

The foundation grant (or equalization component) assists comparable communities to provide similar levels of service by determining a community's expenditure needs and revenue means. If expenditure needs exceed revenue means, the community will receive a foundation grant proportionate to the difference. If means exceed needs, no foundation grant will be provided since the municipality has been deemed to have sufficient revenue-generating ability to provide an average level of service. However, since the provincial and municipal governments have agreed that foundation grants must not exceed 40% of the total pool, a scaling factor is applied to each grant to bring required funding in line with the available funds.

The guarantee amount of $469,000 is a special arrangement applying only to 1984-85. It is the aggregate amount required to ensure that, as the formula is applied, no municipality will receive less than it did in the previous year.

The foregoing components of urban revenue sharing amount to all but 1.3% of the total revenue sharing pool and are paid unconditionally.

The grants for fire protection amount to $1 per capita to a maximum of $10,000 per municipality, for every municipality that has an agreement with at least one other municipality (rural or urban) concerning fire protection services. The only requirement necessary to obtain the grant is to have the agreement. The purpose of the program is to promote inter-municipal co-operation and to encourage improvement in fire protection services, particularly in rural areas and smaller communities. Three hundred and sixty three (363) out of 506 urban municipalities and 270 out of 299 rural municipalities are in the program.

The grant for recreation amounts to 50% of a municipality's expenditure for the operation and maintenance of recreation facilities up to a maximum grant of:

$ 100	plus
1.00	per capita on the first 15,000 population
.75	per capita on the next 15,000 population
.50	per capita on the balance of the population.

To qualify for the grant, a municipality must have an agreement governing the recreational facility with at

least one other urban or rural municipality. The purposes of the program are to supplement the assistance provided under the unconditional component of revenue sharing and to encourage inter-municipal co-operation in the sharing of operating and maintenance costs of recreational facilities.

Three hundred and three (303) of the 506 urban municipalities and 218 of the 299 rural municipalities participate in the program.

(c) Grants-in-Lieu of Taxes

Grants-in-lieu of taxes are paid to municipalities by both the federal and provincial governments. The federal government pays grants on all of its property, but the province only pays for property owned by Crown Corporations and other specified agencies.

With some exceptions, provincial grants-in-lieu of taxes are equivalent to property taxes. S.P.C. pays its grants based on gas and electric revenues in certain communities, although a few of its grants are on a property tax basis.

Grants-in-lieu of taxes have increased from $5.1 million in 1971 to $24.6 million in 1982, but as a percentage of total urban operating revenues have stayed relatively constant (6.4% in 1971 and 6.8% in 1982).

(d) Other "Own Source" Revenues

These revenues include the sale of services, licenses, fees, fines, interest on investments and transfers from other funds. These revenues have increased from $18.7 million in 1971 or 23.4% of total urban revenues to $98.5 million in 1982 or 27.0% of total revenues. (Appendix II).

2) Operating Expenditures

For the period 1971 to 1982, urban government operating expenditures have increased from $78.2 million to $359.6 million, a compound average annual rate of growth of 14.9%. (Table 3).

TABLE 3
Operating Expenditures by Category - Urbans
($ millions)

Year	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation and Culture	Fiscal Services	Total
1971	$ 8.7	$ 16.9	$ 11.6	$ 4.3	$ 5.3	$ 0.5	$ 7.1	$ 23.8	$ 78.2
1972	9.0	18.2	12.5	5.6	5.8	0.8	8.2	27.2	87.3
1973	9.8	20.9	13.0	6.0	3.9	1.2	9.0	28.6	92.4
1974	11.8	25.3	16.4	6.9	4.5	1.3	10.6	33.9	110.7
1975	15.4	31.4	18.5	9.0	5.9	2.5	13.4	41.0	137.1
1976	18.9	37.0	24.3	7.0	6.2	2.3	17.0	52.7	165.4
1977	21.0	42.6	22.8	7.8	7.5	3.6	19.0	64.4	188.7
1978	23.2	49.0	31.1	8.3	11.0	3.9	24.4	65.9	216.8
1979	27.4	55.6	38.2	9.4	11.5	5.0	29.0	81.7	257.8
1980	31.5	63.3	44.4	10.5	12.5	5.5	33.8	82.7	284.2
1981	38.0	72.5	40.6	11.1	14.3	5.3	38.9	91.3	312.0
1982	44.7	85.6	49.4	12.9	17.6	6.5	46.3	96.6	359.6
Compound Average Annual Rate of Increase	16.1%	15.9%	14.1%	10.4%	11.5%	25.4%	18.6%	13.6%	14.9%

Note: (1) "Fiscal" services includes transfer to capital funds and other funds and short-term debt charges.

(2) Operating expenditures do not include utility operations or capital expenditures which are accounted for separately.

(3) For a percentage distribution by type of expenditure, see Appendix III.

There have not been significant shifts in expenditure patterns over the period 1971 to 1982. Expenditures for protection services have increased from 21.6% to 23.8% of total expenditures, recreation and cultural service expenditures have risen from 9.1% to 12.9% of the total and fiscal services, which includes such items as debt charges and transfers to the capital fund, have declined from 30.6% to 26.8%. (Appendix III).

3) Utility Operations - Urban

There are three types of utilities operated by urban municipalities; sewer and water, electric power and light, and transit. Surpluses from the operation of utilities are transferred to the operating fund as revenue, while deficits are treated as an operating fund expenditure.

(a) Utility Revenues

The largest utility operations in terms of revenue and expenditure are those related to the provision of sewer and water services. Revenues from sewer and water utility services have grown from $18.2 million in 1971 to $61.8 million in 1982. Municipally-operated electric utility revenues have grown from $11.1 million to $38.5 million. Transit revenues have risen from $3.6 million to $16.1 million. (Table 4).

TABLE 4
Utility Revenues - Urban
($ millions)

Year	Sewer & Water	Electric	Transit	Total
1971	$ 18.2	$ 11.1	$ 3.6	$ 32.9
1972	19.0	11.7	3.2	33.9
1973	19.7	11.9	3.7	35.3
1974	20.4	12.5	4.7	37.5
1975	22.8	13.7	5.2	41.7
1976	33.7	16.8	5.6	56.1
1977	35.8	20.0	6.2	62.0
1978	39.6	23.9	6.8	70.3
1979	45.3	26.0	7.9 (1)	79.2
1980	47.6	28.3	9.0	84.9
1981	57.6	33.1	14.6	105.3
1982	61.8	38.5	16.1	116.4
Compound Average Annual Rate of Increase	11.8%	12.0%	14.6%	12.2%

Note: (1) 1979 revenues for transit operations in North Battleford, Moose Jaw and Swift Current not available.

(b) Utility Expenditures

Total utility expenditures and surpluses or deficits are shown on Table 5. Over the period 1971 to 1982, the municipal-operated electric utilities have operated at a profit; transit operations had growing deficits until 1980, but these have since declined; and sewer and water operations have had four deficits over the 12 year period.

TABLE 5
Utility Expenditures and Surpluses (Deficit)
($ millions)

	Sewer & Water		Electric		Transit			
Year	Expend.	Surplus (Deficit)	Expend.	Surplus (Deficit)	Expend.	Surplus (Deficit)	Total Expend.	Total Surplus (Deficit)
1971	$ 16.3	$ 1.9	$ 7.9	$ 3.2	$ 4.6	$ (1.1)	$ 28.8	$ 4.0
1972	17.6	1.4	8.3	3.5	4.9	(1.7)	30.8	3.2
1973	18.2	1.6	8.6	3.2	5.2	(1.6)	32.0	3.2
1974	19.8	0.6	9.0	3.5	6.0	(1.3)	34.8	2.8
1975	22.7	0.1	10.8	2.9	7.5	(2.4)	41.0	0.6
1976	34.7	(0.9)	13.4	3.4	8.9	(3.3)	57.0	(0.8)
1977	35.6	0.2	10.8	4.6	10.5	(4.3)	56.9	0.5
1978	40.4	(0.8)	17.5	6.3	12.0	(5.2)	69.9	0.3
1979	47.6	(2.3)	19.4	6.6	13.6[1]	(5.7)	80.6	(1.4)
1980	47.0	0.7	23.2	5.1	16.1	(7.1)	86.3	(1.3)
1981	56.2	1.4	30.2	2.9	18.5	(3.9)	104.9	0.4
1982	63.8	(2.0)	33.3	5.2	20.6	(4.5)	117.7	(1.3)

Note: [1] 1979 expenditures for transit operations for North Battleford, Moose Jaw, Swift Current not available.

4) Capital Expenditures - Urban

During the period from 1971 to 1981, urban municipal capital expenditures increased from $19.9 million to $153.0 million, a compound average annual increase of 22.6%. (Table 6).

TABLE 6
Capital Expenditures by Functional Classification - All Urbans
($ millions)

Year	General Government	Protective	Transportation	Environmental Health	Public Health & Welfare	Environmental Development	Recreation and Culture	Utility	Total
1971	$ 0.4	$ 5.5	$ 1.9	$ 5.6	$ 0.4	$ 0.2	$ 2.3	$ 3.6	$ 19.9
1972	1.3	0.7	7.6	2.0	0.3	0.5	4.2	5.1	21.7
1973	0.5	0.5	11.3	2.1	0.1	0.4	3.4	4.8	23.1
1974	0.6	1.2	15.6	4.8	0.4	1.2	5.8	7.8	37.4
1975	4.2	1.3	27.2	4.2	0.3	1.9	8.8	13.3	61.2
1976	8.8	3.8	32.6	0.4	0.3	3.8	10.2	30.5	90.4
1977	3.1	5.3	33.4	0.2	0.8	3.9	14.7	23.9	85.3
1978	1.2	6.7	32.5	1.0	0.1	3.6	22.0	27.8	94.9
1979	1.7	5.3	44.4	4.9	0.2	6.8	23.1	40.8	127.2
1980	7.2	5.5	48.8	4.4	0.7	12.8	17.3	44.3	141.0
1981	9.0	6.7	56.6	5.0	0.7	5.9	21.5	47.6	153.0
Total	$ 38.1	$ 42.4	$311.9	$ 34.6	$ 4.4	$ 41.1	$133.3	$249.3	$855.1
Compound Average Annual Rate of Increase	36.5%	2.0%	40.4%	(1.1)%	5.8%	40.3%	25.1%	29.5%	22.6%

Note: For percentage distribution of capital expenditures by category, see Appendix IV.

Total capital expenditures for the 1971 to 1981 period were $855.1 million. The largest proportion of capital expenditures was in the transportation category with expenditures of $311.9 million or 36.5% of total expenditures. The transportation category includes the construction of roads and streets and the purchase of machinery and equipment. Capital expenditure for utilities was the second largest category at $249.3 million or 29.2% of total capital expenditures. Utility projects include water and sewer, electric power and transit.

Over the period 1971 to 1981, utility projects have become a larger proportion of total capital expenditures. In 1971, $3.6 million or 18.1% of total urban capital expenditures was for utility projects. By 1981, utility spending had increased to $47.6 million or 31.1% of the total. Capital spending on transportation projects has also increased, from 9.6% in 1971 to 37.0% in 1981. Capital spending by urban governments on protective services projects has decreased in percentage terms from 27.6% to 4.4%. (Appendix IV).

There is a different pattern of capital expenditures amongst cities, towns and villages. For the period 1971-1981, almost 46% of capital expenditures by villages and resort villages were for sewer and water facilities, while only 15% was allocated to transportation facilities. This compares to towns with 31% and 32% and cities with 27% and 40% for the utilities and transportation categories, respectively. (Appendix IV).

Of total capital expenditures of $855.1 million from 1971 to 1981, $585.9 million or 68.5% was spent by cities, $215.9 million or 25.3% by towns and $53.3 million or 6.2% by villages and resort villages.

Much of the current water, sewer and related infrastructure of municipalities in Saskatchewan was put in place 30 to 40 years ago. It is expected that significant expenditures will be required over the next 5 to 10 years to repair or replace the infrastructure as it reaches the end of its original life span.

Some forecasts suggest that between $350 million to $750 million in capital spending will be required over the next 10 years to meet this demand.

5) Financing of Capital Projects - Urban

Capital projects are financed from current operations, government grants and debt sources. Since some capital projects are spread over two or more years and because the timing of debenture issues and the receipt of capital grants may not coincide with the expenditure of municipal funds, the proportion of capital expenditures financed from each of the three sources varies over time. (Table 7).

TABLE 7
Financing Sources for Capital Expenditures - Urbans
($ millions)

Year	Own Sources	%	Capital Grants	%	Long-Term Debt	%	Total Capital Expenditures
1971	$ 6.5	32.7%	$ 1.6	8.0%	$ 11.8	59.3%	$ 19.9
1972	10.1	46.6	4.5	20.7	7.1	32.7	21.7
1973	12.6	54.6	4.0	17.3	6.5	28.1	23.1
1974	27.0	72.2	7.2	19.3	3.2	8.5	37.4
1975	26.7	43.6	11.6	19.0	22.9	37.4	61.2
1976	46.2	51.1	23.4	25.9	20.8	23.0	90.4
1977	44.5	52.1	18.8	22.0	22.0	25.8	85.3
1978	50.0	52.7	19.6	20.7	25.3	26.7	94.9
1979	69.9	55.0	30.0	23.6	27.3	21.5	127.2
1980	n.a.	n.a.	31.9	22.6	n.a.	n.a.	141.0
1981	n.a.	n.a.	40.0	26.1	n.a.	n.a.	153.0
1982	n.a.	n.a.	45.0est.	26.5	n.a.	n.a.	170.1est.

(a) Own Sources

Urban municipalities have tended to finance a significant proportion of capital expenditures from their own revenue sources. These funds have come either from current operations to finance a project or have been transferred from current operations to Capital Funds and accumulated to finance future projects. In 1979, for example, urban municipalities financed 55.0% of their capital spending from their own sources.

(b) Capital Grants

Urban municipalities receive government grants for capital projects from the federal government and the provincial government. Federal grants are generally of a conditional nature for particular projects such as the Neighbourhood Improvement Program in the late 1970's and the Community Services Contribution Program in 1979 and 1980. Federal grants were once quite significant, but are now minimal.

Capital grants from the provincial government have been a relatively significant source of financing for urban capital projects. Capital grants in 1981,

for example, contributed 26.1% toward urban capital expenditures. (Table 7). Various grant programs have been used by the provincial government to assist urban municipalities in financing their capital projects.

(i) Community Capital Fund

Prior to 1974-75, most capital funding was in the form of conditional funding for water and sewer facilities and arterial streets.

The Community Capital Fund was introduced in 1974-75. During the period 1974-75 to 1979-80, $48.4 million in unconditional capital grants was provided to assist communities with the construction of capital work projects or the purchase of equipment. At the end of this period, it was felt that the program should continue so the Community Capital Fund Program II was established at an estimated cost of $69.0 million for the period 1980-81 to 1984-85 inclusive.

The maximum Community Capital Fund Program grant is $100 per capita over 5 years with municipalities having a population of 5,000 or more limited to $20 per capita in any one year. The grants can cover up to 60% of the municipality's cost of a specific project. In cases where assistance is received from other federal and provincial programs, total grants cannot exceed 75% of the cost.

Rural municipalities are eligible for Community Capital Fund Program grants for their hamlets.

(ii) Culture and Recreation Grants

The Cultural and Recreational Facilities Grant Programs I and II are conditional grants provided for the construction of cultural and recreation facilities.

The first phase of this program provided $25.5 million over the 1977-78 to 1981-82 period. The second phase, begun in 1983-84, will run until 1987-88 at a total estimated cost of $32 million.

All urban, rural and northern municipalities and Indian Reserves are eligible for a basic grant of $5,000 plus $25 per capita over the 5 years. The grants can cover up to 50% of the cost of a specific project or, in cases where assistance is received from other programs, total grants cannot exceed 60% of the cost.

(iii) Other Provincial Capital Grants

Other urban capital grant programs exist for a variety of projects. The Department of Highways provides grants to urban governments to assist them in providing efficient transportation systems. This program includes assistance in constructing highway connector roads, arterial streets and carrying out transportation studies.

For highway connectors, these grants provide 50% assistance for centres over 15,000 population and 75% assistance in smaller communities. Arterial road construction is 50% cost shared and grants of 75% of the cost of approved transportation studies are provided.

Water assistance grants are provided through the Municipal Water Assistance Board to help finance water and sewage projects in towns, villages and hamlets. Grants are available for 50% of the capital costs of water and sewerage systems or pipe lines to a cumulative maximum grant of $300,000.

Water pollution control grants are available to cities to assist them in financing water pollution control projects. Grants are equivalent to 10% of the capital cost of such projects or 15% for advanced treatment facilities.

Other provincial grants have been provided for neighbourhood improvement programs, industrial town assistance, transit systems, municipal airport construction, and rail relocation.

(c) Debt Financing

Urban municipalities have also relied to varying degrees on debenture debt or other sources of debt financing to fund their capital projects. In 1979, for example, 21.5% of capital expenditures by urban governments have been debt financed. (Table 7).

Cities have tended to rely on debt financing to a greater degree than towns or villages. For example, in 1979, debt financing by cities amounted to 24.2% of total capital expenditures, while towns and villages used 17.3% and 4.5% respectively in debt to finance capital spending. (Appendix V).

B. Rural Governments

There are 299 rural municipalities in the Province incorporated under The Rural Municipality Act. The population of rural municipalities has declined from 282,301 (including Local Improvement Districts), or 30.5% of total provincial population in 1971, to 240,472 or 24.8% in 1982. (Appendix I).

Road construction and maintenance has traditionally been the largest service provided by rural government. Sources of revenue for rural governments have not changed as significantly as for urban governments.

1) Operating Revenues

For the period 1971 to 1982, rural government operating revenues increased from $44.4 million to $137.0 million, a compound average annual increase of 10.8%. (Table 8).

TABLE 8
Total Operating Revenues by Category - Rurals
($ millions)

Year	Taxes	Grants in Lieu of Taxes	Other Own Source Revenues	Unconditional Transfers	Conditional Transfers	Total Operating Revenues
1971	$ 26.7	$ 0.2	$ 3.2	$ 3.0	$ 11.3	$ 44.4
1972	27.5	0.3	3.5	3.0	11.6	45.9
1973	28.7	0.3	4.0	3.2	10.7	46.9
1974	33.2	0.4	5.4	3.6	16.4	59.0
1975	38.5	0.4	6.1	5.3	19.4	69.7
1976	45.3	0.5	6.1	5.5	20.0	77.4
1977	49.2	0.5	5.6	5.9	15.8	77.0
1978	51.9	0.5	6.8	10.4	15.1	84.7
1979	55.9	0.8	9.1	12.7	19.5	98.0
1980	62.4	1.0	9.9	12.5	22.0	107.8
1981	70.5	1.0	13.4	13.6	25.2	123.7
1982	80.2	1.6	13.0	15.0	27.2	137.0
Compound Average Annual Rate of Increase	10.5%	20.8%	13.9%	15.8%	8.3%	10.8%

Note: For a percentage distribution by type of revenue, see Appendix VI.

The sources of rural revenues over the period 1971 to 1982 have shown some changes, but not of a significant nature. Rural property tax revenues have declined as a percentage of total revenues from 60.1% to 58.5%. Transfers from other levels of government have also declined from 32.3% in 1971 to 30.8% in 1982. Own source revenues have increased from 7.0% to 9.5%.

(a) Property Taxes

Property taxes continue to be a major source of revenue to finance rural government programs. In 1982, this amounted to $80.2 million out of total revenue of $137.0 million.

(i) Mill Rates

Weighted average equalized mill rates have increased from 29.1 to 77.7 over the 1971 to 1982 period, a compound average annual increase of 9.3%.

(ii) Assessment

From 1971 to 1982, total equalized assessment for all rural municipalities increased from $881.4 million to $1025.6 million, a compound average annual increase of 1.4%.

(b) Provincial Government Transfers

Provincial government transfers have increased from $14.0 million in 1971 to $42.0 million in 1982, a compound average annual rate of growth of 10.5%. There have been changes in the transfer programs over the last decade, particularly when revenue sharing was introduced in 1978.

In 1978, revenue sharing was introduced for rural municipalities at the same time and with the same objectives as for urban revenue sharing.

For rural municipalities, all of the grants provided by the former Municipal Road Assistance Authority were rolled in, including grid and super grid road construction, main farm access road construction, municipal and grid road bridge construction, grid regravelling grants, grid road maintenance, snow removal and equalization.

For rural municipalities, the revenue sharing pool is distributed as follows:

Type of Distribution	Estimated 1984-85 $ Millions	
Main Farm Access and Primary Grid	$ 20.967	
Other Roads, Maintenance and Bridges	9.047	
Fire	.248	
Recreation	.193	
Total Conditional	30.455	$ 30.455
Basic Grant	2.761	
Equalization Grant	13.240	
Hamlet Grant	.676	
Total Unconditional	16.677	16.677
Grand Total		$ 47.132

There are two particularly noteworthy items. One is that the major conditional shared cost rural components have an equalization component in that a higher percentage of costs is paid for the less wealthy municipalities. The provincial share of costs varies between 40% and 60%. Second, by agreement of the Department of Rural Development and S.A.R.M. the conditional grants constitute the bulk (65%) of the rural revenue sharing pool, in contrast to the urban pool where only 1.3% is distributed conditionally.

Conditional grants are paid to rural municipalities to assist them in financing their road construction program. The annual grant is determined based on:

1) the estimated costs in a rural municipality to complete its road system.

2) a portion of the estimated cost to reconstruct its existing road system and,

3) the provincial government's share of these costs.

This share is based on 40 - 60% of the costs, depending on the municipality's

ability to finance such cost.

The government's grant is then determined based on funds available and the amount of actual work done.

Unconditional grants consist of:

1) a basic grant which is calculated as a percentage of the annual cost of providing certain services. (Minimum $3,000).

2) an equalization grant based on a rural municipality's revenue means as compared to its expenditure needs for administration, road construction and maintenance and bridges.

3) a hamlet grant of $54.45 per capita and a basic grant comparable to the urban basic grant is paid to the rural municipality on behalf of hamlets within its boundaries.

(c) Grants-in-Lieu of Taxes

Grants-in-lieu of taxes from the federal and provincial governments are a relatively minor source of rural revenues. In 1971, they amounted to $0.2 million or 0.4% of revenue and in 1982, they were $1.6 million or 1.2% of total revenue.

Saskatchewan Power Corporation does not pay an electric surcharge to rural municipalities and, with a few exceptions, also does not pay grants-in-lieu of taxes.

(d) Other "Own Source" Revenues

These revenues include licenses, fees, fines, interest on investments, rentals and penalties.

These revenues have increased from $3.2 million to $13.0 million over the period 1971 to 1982 and have increased as a percentage of total revenue from 7.0% to 9.5% over the same period. (Appendix VI).

2) Operating Expenditures

For the period 1971 to 1982, rural government operating expenditures have increased from $42.8 million to $133.3 million, a compound average annual rate of growth of 10.95%. (Table 9).

TABLE 9
Total Operating Expenditures by Category - Rurals
($ millions)

Year	General Government	Protective Services	Transportation	Environmental and Public Health	Environmental Development	Recreation and Culture	Fiscal Services	Total
1971	$ 4.8	$ 0.2	$ 31.9	$ 0.1	$ 0.5	$ 0.1	$ 5.2	$ 42.8
1972	5.1	0.2	32.2	0.2	0.5	0.1	6.1	44.4
1973	5.5	0.1	30.9	0.2	0.7	0.1	6.8	44.3
1974	6.4	0.3	40.7	0.3	0.9	0.1	8.3	57.0
1975	7.5	0.4	49.8	0.3	0.9	0.1	9.3	68.3
1976	8.7	0.6	52.7	0.2	0.7	0.2	12.1	75.2
1977	9.4	0.5	48.6	0.3	0.7	0.3	13.3	73.1
1978	10.4	0.9	54.0	0.9	0.8	0.9	13.9	81.8
1979	11.4	1.6	64.3	0.8	0.9	1.2	15.5	95.7
1980	12.6	1.9	70.1	0.9	0.9	1.7	16.8	104.9
1981	14.0	2.3	78.2	1.2	1.2	1.8	21.3	120.0
1982	15.7	2.9	89.5	1.1	1.2	1.9	21.0	133.3
Compound Average Annual Rate of Growth	11.4%	27.5%	9.8%	24.4%	8.3%	30.7%	13.5%	10.95%

Note: For percentage distribution by type of expenditure, see Appendix VII.

There have not been any major shifts in expenditure patterns over this period. Expenditures for fiscal services have increased from 12.3% to 15.8% of total operating expenditures while transportation services have declined from 74.4% to 67.1% of total expenditures. (Appendix VII).

3) Utility Operations

Some rural municipalities do operate a sewer and water utility service. However, the revenues and expenditures in total are not significant. (Table 10).

TABLE 10
Utility Revenues and Expenditures - Rurals
($ millions)

Year	Revenues	Expenditures	Surplus (Deficit)
1976	0.1	0.1	0.0
1977	0.1	0.1	0.0
1978	0.1	0.1	0.0
1979	0.1	0.1	0.0
1980	0.4	0.4	0.0
1981	0.4	0.5	(0.1)
1982	0.2	0.3	(0.1)

4) Capital Expenditures - Rural

During the period 1971 to 1982, rural municipal capital expenditures increased from $4.2 million to $16.3 million, a compound average annual increase of 13.1%. (Table 11).

For statistical and reporting purposes, rural capital expenditures exclude road and bridge construction which are considered to be operating expenditures. Capital expenditures include the purchase of construction equipment and the construction of offices and storage buildings.

5) Financing of Capital Projects - Rural

Rural capital projects are financed largely from their own operations although some funds are received from debt financing and government grants. (Table 11).

TABLE 11
Financing Sources for Capital Expenditures - Rurals
($ millions)

Year	Own Sources	%	Capital Grants(2)	%	Debt	%	Total Capital Expenditures(1)
1971	$ 3.9	92.8	$ 0.1	2.4	$ 0.2	4.8	$ 4.2
1972	4.6	85.2	0.5	9.3	0.3	5.5	5.4
1973	4.3	89.6	0.2	4.2	0.3	6.2	4.8
1974	6.0	89.5	0.3	4.5	0.4	6.0	6.7
1975	6.1	89.7	0.3	4.4	0.4	5.9	6.8
1976	6.7	94.4	0.1	1.4	0.3	4.2	7.1
1977	9.1	93.8	0.2	2.1	0.4	4.1	9.7
1978	10.4	88.1	0.4	3.4	1.0	8.5	11.8
1979	11.8	87.4	0.4	3.0	1.3	9.6	13.5
1980	11.6	89.2	0.3	2.3	1.1	8.5	13.0
1981	13.3	81.1	0.8	4.9	2.3	14.0	16.4
1982	14.8	90.8	0.3	1.8	1.2	7.4	16.3
Compound Average Annual Rate of Increase	12.9%		10.5%		17.7%		13.1%

Note: (1) Includes Local Improvement Districts data. Road construction costs are excluded as they are considered to be operating expenditures.

(2) Capital Grants includes grants from federal, provincial and other local governments.

There are no separate provincial government funding mechanisms for operating expenditures on the one hand and capital expenditures on the other hand for rural municipalities as there are for urban municipalities. The shared cost grants under rural revenue sharing for the construction of bridges and the various types of roads could be regarded as capital grants in that the roads and bridges have a useful lifetime extending over a number of years. However, for statistical and reporting purposes, they are considered to be operating grants.

Rural municipalities do receive Community Capital Fund grants and Municipal Water Assistance Board grants from the provincial government on behalf of the hamlets within their boundaries. They are also entitled to Cultural-Recreational Facilities Grants on the same basis as urban municipalities.

C. Northern Governments

Since the mid-1970's, there have been considerable changes in the structure of local government and in financial assistance programs for northern Saskatchewan. The Northern Municipalities Act established towns, northern villages and northern hamlets as self-governing local government units. There are currently 23 northern municipalities. Provincial grants to assist these newly-established local governments were recently introduced.

1) Northern Revenue Sharing

The northern revenue sharing program was introduced in 1982-83 and is intended to provide a major source of revenue to northern municipalities. The northern revenue sharing pool is subject to the same escalator index as the urban and rural pools in the south. For 1984-85, the size of the pool will be $5.1 million.

The unconditional northern revenue sharing is divided into two parts: Per capita grants totalling $1.2 million and foundation (equalization) grants totalling $3.9 million.

The per capita amount for 1984 is set at $53.55 for towns, $48.30 for northern villages, and $43.05 for northern hamlets and settlements. The total per capita grant is determined by multiplying the community's population times the northern factor times the per capita amount. The northern factor recognizes the additional cost of providing services in a northern community due to its isolation and distance from major southern centres. The balance of the available unconditional funds are distributed as a foundation grant which is calculated as the recognized water and sewer costs plus the recognized general municipal costs minus recognized revenues. The total foundation grant is then adjusted by a scaling factor based on the available amount of funds.

2) Northern Capital Grants

The unconditional northern capital grant program was established in 1983 and was modelled after the unconditional Community Capital Fund Program. The five year program will provide up to $250 per capita to northern municipalities to acquire or construct various capital works projects. The grant is calculated as 90% of the municipality's share of the project costs.

The conditional grant for water and sewer systems is intended to assist northern municipalities to expand and upgrade existing water and sewer systems. The Northern Fire Protection Facilities Grant program is also conditional and it is intended to assist communities to acquire, construct, or equip fire halls or fire trucks. The program provides one-time assistance to northern communities of 75% to 95% of the costs of construction and 60% to 90% of the costs of equipment, with the percentage available dependent on the community's population.

The northern grant programs offer larger grant amounts than comparable southern programs because of the relatively small assessment base available to northern communities, higher costs of materials and the relatively low level of the current infrastructure.

D. Schools

There are currently 961 schools in Saskatchewan organized into 112 school divisions. Enrolment in 1983 was 193,320 full-time equivalent students.

There are several types of schools in the province including public, separate and private schools as well as comprehensive high schools. Schools in the Kindergarten to Grade 12 system are governed by The Education Act.

Over the past decade, schools have had to respond to changes in enrolment levels and demands for new programs and this has had some impact on the level and type of expenditure needs. Enrolment for example, has declined from 227,074 in 1971 to 193,320 in 1983.

1) Operating Revenues

For the period 1971 to 1982, school operating revenues have increased from $171.5 million to $618.8 million, a compound average annual increase of 12.4%. (Table 12).

TABLE 12
Operating Revenues by Category - School Divisions
($ millions)

Year	Taxes and Grants in Lieu of	Other Own Source Revenues	Provincial Grants	Total Operating Revenues
1971	$ 82.2	$ 11.5	$ 77.8	$ 171.5
1972	84.5	12.6	88.3	185.4
1973	86.4	13.7	97.8	197.9
1974	92.3	17.1	115.3	224.7
1975	101.6	20.8	140.3	262.7
1976	118.5	26.4	168.7	313.6
1977	137.6	29.5	185.4	352.5
1978	149.3	33.6	206.2	389.1
1979	163.0	38.2	221.0	422.2
1980	189.1	41.8	235.9	466.8
1981	223.9	49.1	256.3	529.3
1982	274.0	60.7	307.0	641.7 (1)
Compound Average Annual Rate of Increase	11.6%	16.3%	13.3%	12.7%

Note: (1) For 1982, the data includes schools previously under the administration of the Department of Northern Saskatchewan.

(2) For a percentage distribution by type of revenue, see Appendix VIII.

The sources of school revenues have changed somewhat over the 1971 to 1982 period, but not dramatically. In 1971, $82.2 million or 48.0% of revenue came

from taxes and grants in lieu of taxes, while $77.8 million or 45.3% came from provincial grants. By 1982, taxes and grants-in-lieu of taxes had increased to $272.2 million, but declined as a percentage of total revenue to 44.0% while provincial grants had increased to $290.6 million or 47.0%. See Appendix VIII.

(a) Taxes and Grants-in-Lieu of Taxes

Property taxes are a major source of funding for school divisions. School boards annually determine their expenditure needs and compare that to their revenue sources, such as grants as well as their own sources of revenue, such as tuition fees.

The difference represents the amount that must be received through property taxes. A mill rate is determined to raise the necessary school revenues and is applied to the assessment base, similar to municipal taxes. School taxes are collected by the municipal governments in a particular school division and remitted to the school boards.

(i) Mill Rates

Weighted average equalized mill rates for schools have increased from 45.0 to 100.0 over the 1972 to 1982 period, a compound average annual increase of 8.3%.

(b) Transfers from the Provincial Government

Provincial government transfers have increased from $77.8 million to $290.6 million from 1971 to 1982, a compound average annual increase of 12.7%. The current mechanisms for determining provincial government transfers were established in 1972 with the introduction of a foundation grant system and have remained relatively unchanged since that time. Operating grants to schools in 1984-85 will amount to $350.5 million.

The foundation grant system replaced an earlier equalization formula and numerous smaller special-purpose conditional grants. Foundation grants are paid largely unconditionally to school boards, although there are conditional components to the formula such as for capital debt retirement (only

debenture debt on capital facilities approved by the department is eligible) and for handicapped students (boards must identify the individual student in accordance with department criteria).

The objectives of the foundation grant program are to make it possible for school divisions to provide a desirable and realistic level of programs and services without undue pressure on local revenue sources, to preserve local autonomy of school divisions and to ensure equitable distribution of provincial grant dollars between school divisions.

The foundation grant formula consists of comparing recognized expenditures to recognized revenues with the difference being the grant payable by the province. Recognized expenditure measures the needs of a school division for funds to finance its programs. It is calculated based on a cost per pupil, as determined by the Department of Education, to which are added adjustments for special circumstances such as for special needs pupils, transportation, declining enrolment and capital debt retirement.

Recognized revenue measures a school division's ability to pay for its programs as determined by its assessment. It is calculated by multiplying the computational mill rate by the assessment. Provincial grant dollars available affect the basic per pupil rate in the expenditure calculation and the computational mill rate in the revenue calculation.

For the first half of the 1970's, the provincial government endeavoured to enable school divisions to hold the line on local tax rates even though costs were rising, thereby increasing the percentage of costs of elementary and secondary education borne by the provincial government. From about 1976, however, there has been a decline in the provincial share of net school division expenditures from 57.1% in 1976 to 51.7% in 1982.

(c) Other Own Source Revenues

The largest component of these revenues is tuition fee revenues received by one school division from another for students who attend a school outside their place of residence. Also included are ancillary services such as cafeteria revenues, adult education fees and summer school fees. Own source revenues also include earnings on investments, sale of materials and assets, rental of facilities and user fees.

Own source revenues for school divisions have increased from $11.5 million or 6.7% of total revenues to $56.0 million or 9.0% of total revenues over the period 1971 to 1982. (Appendix VIII).

2) Operating Expenditures

For the period 1971 to 1982, school division operating expenditures have increased from $170.1 million to $613.6 million, a compound average annual increase of 12.4%. (Table 13).

TABLE 13
Operating Expenditures by Category - School Divisions
($ millions)

Year	Administration	Instruction	Plant Operation and Maintenance	Payments to Other Divisions	Pupil Transportation	Ancillary Services	Fiscal Services	Total Gross Expenditure	Net Expenditure
1971	$ 3.6	$ 109.5	$ 17.6	$ 5.1	$ 14.9	$ 0.4	$ 19.0	$170.1	$151.7
1972	3.9	120.8	19.2	5.9	15.3	0.5	19.8	185.4	165.0
1973	4.3	132.1	20.3	7.1	17.3	0.5	16.3	197.9	176.7
1974	4.9	148.0	23.5	9.8	19.5	0.7	18.2	224.6	213.6
1975	6.1	170.1	28.4	12.3	22.7	0.9	21.3	261.8	247.6
1976	6.9	207.1	33.8	16.0	26.1	1.2	23.2	314.3	295.4
1977	7.9	227.1	38.3	18.0	28.9	1.2	27.8	349.2	327.7
1978	8.8	248.6	42.9	21.0	31.4	1.5	29.8	384.0	359.0
1979	10.1	274.3	48.2	23.6	34.0	1.4	30.8	422.4	394.6
1980	11.3	303.0	51.8	25.8	37.3	1.7	35.4	466.3	435.3
1981	13.7	348.6	57.2	29.5	43.7	2.0	36.5	531.2	496.8
1982	15.8	413.8	71.3	36.3	49.8	2.8	47.5	637.2	594.1
Compound Average Annual Rate of Increase	14.4%	12.8%	13.6%	19.5%	11.6%	19.4%	8.7%	12.8%	13.2%

For a percentage distribution by type of expenditure, see Appendix IX.

Note: Net expenditure calculated as gross expenditure less tuition fees, ancillary services, and reserves.

Teacher salaries continue to be the largest component of operating expenditures. In 1971, they made up 64.4% of total expenditures compared to 65.3% in 1982. (Appendix IX).

3) Capital Expenditures

Over the period 1975 and 1982, school division capital expenditures increased from $21.3 million to $53.1 million, a compound average annual increase of 13.9%. Capital expenditures in school divisions include the purchase

of land, construction of new buildings, renovations, furniture, instructional equipment, transportation equipment and office equipment. (Table 14).

TABLE 14
School Capital Expenditure by Category
($ millions)

Year	Purchase of Land	New Buildings	Renovations & Additions	Instructional Furniture and Equipment	Other Expenditure	Total Capital Expenditure
1975	$ 0.4	$ 7.7	$ 10.6	$ 0.8	$ 1.8	$ 21.3
1976	0.4	20.1	5.1	1.1	2.9	29.6
1977	1.0	24.6	7.3	1.3	2.0	36.2
1978	0.6	16.3	10.8	1.4	3.0	32.1
1979	0.4	20.0	14.7	2.7	3.6	41.4
1980	1.3	18.6	8.4	1.5	3.6	33.4
1981	0.7	21.7	17.7	1.8	3.5	45.4
1982	0.6	19.1	27.0	2.1	4.3	53.1
Compound Average Annual Change	6.0%	13.9%	14.3%	14.8%	13.2%	13.9%

For percentage distribution by type of expenditure, see Appendix X.

4) Financing of Capital Projects - School Divisions

School division capital projects are financed by debt, government grants and by school division funds. (Table 15).

TABLE 15
Sources of Financing Capital Expenditures - School Divisions
($ millions)

Year	Own Sources	%	Capital Grants	%	Debt	%	Capital Expenditure
1975	$ 5.5	25.8%	$ 5.8	27.2%	$10.0	46.9%	$21.3
1976	1.4	4.7	8.3	26.0	19.9	67.2	29.6
1977	8.2	22.7	10.8	29.8	17.2	47.5	36.2
1978	11.6	36.1	8.1	25.2	12.4	38.6	32.1
1979	17.9	43.2	12.9	31.1	10.6	25.6	41.4
1980	9.6	28.7	7.9	23.7	15.9	47.6	33.4
1981	14.7	32.4	8.7	19.2	22.0	48.4	45.4
1982	9.6	18.1	12.8	24.1	30.7	57.8	53.1
Compound Average Annual Rate of Increase	8.3%		12.0%		17.4%		13.9%

(a) Provincial Capital Grants

Capital grants are paid to school divisions for major renovations and for new capital projects. The Department of Education decides whether or not a project is to proceed and also the amount of space and the eligible cost based on facility guidelines which specify the space requirements for different student numbers and age levels. The department also has a set of criteria which govern the priority ranking of projects.

The provincial government provides capital grants ranging from 15% to 30% of the total approved cost of major capital projects, depending upon the ability of the school division to finance the project from its own sources. Some federal funds are also available for school capital projects.

The department also fully recognizes approved capital debt retirement (principal and interest) for school facilities in the foundation grant formula.

These amounts stayed relatively constant for the first half of the 1970s at about the $11 million level. Due to rising costs of construction, much higher interest rates and shorter term financing, the level of approved capital debt retirement started to rise rapidly in 1979 and has reached $40.2 million in 1984.

(b) School Division Downpayment

A school division is required to make a downpayment for a major capital project equivalent to the cost of one year's debt retirement (principal plus interest) on the long- and short-term financing for the project. This downpayment, on average amounts to 10% of the total approved cost of the project; however, many school divisions pay less than this amount because there is a four mill upper limit placed on the total downpayments that a school division is required to make in one year, regardless of the number of approved projects undertaken or their cost.

(c) Debt Financing

The remaining portion of total approved capital costs, after all grants and the downpayment, is financed by the sale of debentures or by shorter term loans. Debt financing amounts to approximately 65% of major project costs approved by the department.

E. Libraries

There are currently three municipal libraries, seven regional libraries, which include a number of local libraries, and several li[illegible]aries in the northern administration district. In total, there are approximately 300 libraries in the province. Each regional library has a number of branches with the library system funded by government grants and by the participating municipalities in that regional library area. As well as the several regional libraries, there are two large municipal libraries in Regina and Saskatoon which act as resource centres for the regional library system. A participating city can opt out of its regional library district,

but it must give two years notice after which time it can receive funding directly from the province. Participating towns, villages and rural municipalities can also opt out of a regional library, but cannot receive government grants. Only a small number of municipalities have actually withdrawn and not rejoined their regional library district.

In the northern administration district, the province will pay a matching grant equivalent to the amount of funding raised locally up to a maximum of $15,000 per year.

In 1984, new legislation was passed to enhance local autonomy over libraries. As well, the legislation provided that, where a municipal government provided a large portion of the funding of the regional library, the latter would be required to negotiate with the municipal government as to the level of funding required for the next year.

1) Operating Revenues

For the period 1971 to 1982, library revenues increased from $2.9 million to $15.7 million. (Table 16).

TABLE 16
Total Operating Revenues by Categories - Libraries
($ millions)

	Regional Libraries					Municipal Libraries					
Year	Local Levies	Prov. Grants	Other	Total Regional Library Revenues	Local Levies as % of Total	Local Levies	Prov. Grants	Other	Total Municipal Library Revenues	Local Levies as % of Total	Total Library Revenues
1971	$ 0.3	$ 0.5	$ 0.0	$ 0.8	37.5%	$ 1.9	$ 0.1	$ 0.1	$ 2.1	90.5%	$ 2.9
1972	0.4	0.6	0.0	1.0	40.0	2.1	0.1	0.1	2.3	91.3	3.3
1973	0.5	0.9	0.0	1.4	35.7	2.2	0.2	0.0	2.4	91.7	3.8
1974	0.6	1.3	0.1	2.0	30.0	2.6	0.2	0.0	2.8	92.9	4.8
1975	0.7	1.9	0.1	2.7	25.9	3.1	0.5	0.1	3.7	83.8	6.4
1976	0.8	2.4	0.1	3.3	24.2	3.3	0.5	0.2	4.0	82.5	7.3
1977	1.0	2.5	0.1	3.6	27.8	4.3	0.5	0.1	4.9	87.7	8.5
1978	1.1	2.7	0.1	3.9	28.2	4.9	0.6	0.4	5.9	83.0	9.8
1979	1.3	2.9	0.1	4.3	30.2	5.3	0.6	0.2	6.1	86.9	10.4
1980	1.6	3.1	0.1	4.8	33.3	6.4	0.7	0.2	7.3	87.7	12.1
1981	1.9	3.4	0.2	5.5	34.5	6.9	0.7	0.4	8.0	86.2	13.5
1982	2.1	3.9	0.2	6.2	33.9	8.2	0.9	0.4	9.5	86.3	15.7

Local levies for regional libraries as a percentage of total revenue decreased from 37.5% in 1971 to 33.9% in 1982. Local levies for municipal libraries decreased from 90.5% in 1971 to 86.3% in 1982.

(a) Local Levies

Local levies are determined by the library board annually calculating the expenditures required to provide its services and deducting the provincial grants and other revenues expected. The difference is imposed on the municipal governments which are part of that regional library. The municipal government then levies and collects the taxes on behalf of the library and remits them to the library board. In the case of the Regina and Saskatoon Public Libraries, the City Council has the final decision-making authority over the amount of funds to be raised locally.

(b) Provincial Grants

Provincial funding in 1982 represented approximately 66% of total revenues of the regional libraries. Provincial funding for municipal libraries constitutes about 14% of total revenues. The amount of the provincial grant that is paid to each regional library is calculated using a formula which takes into account last year's grant plus a portion of the new money available for distribution according to the provincial budget. The new money is allocated by a formula which considers population density, ability to pay and quality of service in the regional library district.

Provincial funding is only provided for operating costs. Any capital requirements for new library facilities or major renovations are funded by the municipality in which the library is located. As well, if any municipality wants extra services, they must pay for these totally.

2) Operating Expenditures

For the period 1971 to 1982, libraries' operating expenditures have increased from $2.8 million to $15.2 million. Approximately 60% of library expenditures are for salaries. (Table 17).

TABLE 17
Total Operating Expenditures by Category - Libraries
($ millions)

	Regional Libraries				Municipal Libraries				
Year	Materials	Salaries	Other	Total Regional Library Expenditures	Materials	Salaries	Other	Total Municipal Library Expenditures	Total Library Expenditures
1971	$ 0.2	$ 0.4	$ 0.2	$ 0.8	$ 0.3	$ 1.2	$ 0.5	$ 2.0	$ 2.8
1972	0.2	0.5	0.3	1.0	0.3	1.4	0.7	2.4	3.4
1973	0.3	0.7	0.3	1.3	0.4	1.4	0.6	2.4	3.7
1974	0.5	1.2	0.4	2.1	0.4	1.6	0.8	2.8	4.9
1975	0.6	1.6	0.5	2.7	0.5	2.1	0.9	3.5	6.2
1976	0.6	1.9	0.6	3.1	0.7	2.3	1.2	4.2	7.3
1977	0.6	2.2	0.6	3.4	0.8	2.8	1.1	4.7	8.1
1978	0.7	2.5	0.7	3.9	0.9	3.2	1.8	5.9	9.8
1979	0.8	2.7	0.7	4.2	1.1	3.7	1.4	6.2	10.4
1980	0.9	3.1	0.8	4.8	1.2	4.2	2.0	7.4	12.2
1981	1.0	3.4	1.1	5.5	1.3	4.9	1.8	8.0	13.5
1982	1.1	3.5	1.2	5.8	1.5	5.8	2.1	9.4	15.2

F. Health Funding

Health care costs in Saskatchewan are, for the most part, funded by the province. In 1982-83, the provincial Department of Health spent $714.8 million on health care operating costs and $19.1 million on capital costs. However, municipal governments do contribute some funds to health care costs as follows:

1) Community Health Programs

These programs provide public health services to communities including preventative health services, speech therapists, public health nurses and inspection services. The program is delivered at the community level by the provincial Health Department through 10 health regions.

The province provides all of these programs, except in the cities of Regina and Saskatoon, where they are provided by the cities. These two cities receive partial reimbursement of their costs through a grant of $3.35 per capita. All other municipal governments

pay a Public Health Tax Levy of 50¢ per capita to the province as their share of community health costs.

The levy was established in 1946 at 1/3 of total annual costs to a maximum of 50¢ per capita. With rising medical costs, the 1/3 factor became obsolete and was deleted, but the 50¢ per capita has remained unchanged. The amount collected in 1971 was $337,364 and had declined to $307,390 by 1982.

2) Hospitals

There are four types of hospitals in the province. Crown hospitals are the financial responsibility of the province from which they receive all of their operating and capital funds.

There are 13 religious hospitals in the province. They receive operating and capital funding from the provincial government and rely on private sources to finance deficits or additional services.

Union hospitals constitute the largest group of hospitals in the province. There are currently 109 union hospitals established and run by municipalities that organize themselves into union hospital districts. They receive operating funds from the provincial government. The union hospital district can levy a mill rate for additional funding for capital expenditures and the operation of union hospitals. The province pays from 50% to 80% of the cost of capital projects; it also provides annual fractional reimbursements for furniture and equipment purchases made by union hospitals.

The three municipal hospitals also receive operating and capital funds from the province similar to the grants received by union hospitals and raise any required additional revenues through the municipal tax base.

(a) Operating Grants

The provincial Department of Health, through the Saskatchewan Hospital Services Plan (S.H.S.P.)

pays operating grants to union and municipal hospitals based on S.H.S.P.'s assessment of the net operating costs of each hospital to provide hospital services. Operating grants to these hospitals have increased from $46.5 million in 1971 to $169.4 million in 1982, a compound average annual rate of growth of 12.5%. (Table 18).

TABLE 18

Provincial Operating Grants - Union & Municipal Hospitals ($ millions)

Year	Union	Municipal	Total
1971	$ 29.8	$ 16.7	$ 46.5
1972	33.7	18.6	52.3
1973	37.1	20.3	57.4
1974	44.7	9.2 (1)	53.9
1975	51.3	10.4	61.7
1976	64.2	12.5	76.7
1977	90.3	17.5	107.8 (2)
1978	80.0	15.4	95.4
1979	86.3	16.9	103.2
1980	102.8	20.7	123.5
1981	114.4	23.0	137.4
1982	140.9	28.5	169.4
Compound Average Annual Rate of Increase	15.2%	5.0%	12.5%

Note: (1) Regina General became a Crown-owned hospital in 1974.

(2) Fifteen (15) month period due to change in calendar year.

(b) The Hospital Revenue Tax

Municipalities can exercise either of two options to ensure that hospital facilities

are available to their residents: They can organize themselves into union hospital districts and operate their own hospitals; or they can support, through direct granting, any hospital -- union, religious or municipal -- in the municipality of their choice. "Neutral municipalities", i.e. those which do not operate their own union hospitals nor provide direct financial support to any hospital pay a Hospital Revenue Tax to the provincial government. Prior to 1966, these neutral municipalities paid nothing. Yet, their residents received medical attention, free of charge, at any hospital in the province. This was considered unfair for those municipalities and their residents who paid taxes to run or support a hospital.

The Hospital Revenue Act was passed in 1966. Among other things, it required every neutral municipality to levy, collect and remit a hospital revenue tax in respect of taxable property. The 2-mill levy which residents of union hospital districts were paying at the time became the standard. Despite the continual rise in hospital costs, and the consequent rise in the mill rate for union hospital district residents (6.1 mills: 1982 weighted average), the Hospital Revenue Tax is still based on the initial 2-mill levy on the equalized assessment of the neutral municipalities. In 1971, this levy totalled $263,990. By 1982, the levy amounted to $305,242 and was received from 111 municipalities. Not all neutral municipalities pay 100% of the Hospital Revenue Tax. Those that operate their own community health and social centres, remit only 50% of the tax and retain the remainder for running the centres.

(c) Capital Grants

The provincial government also pays capital grants to union and municipal hospitals to assist them in financing capital construction projects and furniture and equipment purchases. These grants increased from $1.5 million in 1971 to $2.7 million in 1982, a compound average annual increase of 5.5%. (Table 19).

TABLE 19
Provincial Capital Grants - Union & Municipal Hospitals
($ millions)

Year	Union	Municipal	Total
1971	$ 1.3	$ 0.2	$ 1.5
1972	1.4	0.2	1.6
1973	0.9	0.2	1.1
1974	1.8	0.2	2.0
1975	2.9	0.2	3.1
1976	1.8	0.2	2.0
1977	2.7	0.4	3.1
1978	1.8	0.2	2.0
1979	2.5	0.1	2.6
1980	2.3	0.1	2.4
1981	0.9	0.1	1.0
1982	1.4	1.3	2.7
Compound Average Annual Rate of Increase	0.7%	18.5%	5.5%

Note: (1) Data includes capital grants and capital debt retirement.

(2) 1977/78 data is for 15 months due to the changeover from a calendar year to a fiscal year ending March 31.

(3) Lloydminster Hospital is reported as a municipal hospital.

G. Property Taxation and Property Tax Relief

Local governments have access to the property tax base to fund their activities. Urban and rural municipal governments and school boards are the major users of this tax base although libraries, hospitals and conservation and development authorities also use the property tax base to provide some funding.

The two basic elements of the property tax are assessment and mill rate. Assessment is a measure of relative value of each piece of property. Mill rates are determined by the local government calculating the revenue that needs to be obtained from property taxes to meet expenditure needs, dividing by total taxable assessment and multiplying by 1,000.

1) Assessment

Assessment is a measure of the value of the property taxation base. The underlying principle in assessment is that equity should be achieved both between similar properties and between different classes of property. All properties and businesses are assessed, but some are not liable for taxation either because of statutory exemptions or because of a local government decision to exempt certain property from taxation. In urban municipalities, land and buildings are assessed, whereas in rural municipalities farm buildings are not assessed.

The four largest cities are responsible for doing their own assessments, while the province does the rest. All cities now use the same assessment criteria that the Assessment Authority uses for the rest of the province. All municipalities are normally required to be reassessed every 10 years.

Values are determined on the basis of the situation at a given point in time and are only updated with general reassessment. Reassessment to bring values from 1947 levels to 1965 levels has been under way for several years. However, in the past, the interval between general reassessments for some municipalities has been as long as 15 to 20 years and this has, in part, been responsible for relatively slow growth in the property tax base.

In order to compare assessments between municipalities, some of which have been reassessed while others have not, assessments are converted to an "equalized assessment". From 1971 to 1982, the total equalized assessment of all urban centres increased by 64.3%, from $1,014.6 million to $1,667.4 million, while Saskatchewan's Gross Domestic Product (a measure of economic activity) increased by 329.4%. For rural municipalities, equalized assessment increased from $881.4 million to $1,025.6 million, an

increase of only 16.4% over the same period.

2) Mill Rates

Municipalities and school boards set uniform mill rates and apply these to taxable assessments within their jurisdiction.

Weighted average equalized mill rates have increased from 42.6 to 87.4 for urbans over the 1972 to 1982 period, while rural mill rates have increased from 29.6 to 77.7 and school mill rates from 45.0 to 100.0. The largest increase over this period was 162.5% for rural municipalities, followed by 122.2% for schools and 105.2% for urban municipalities. In comparison, the Regina consumer price index increased by 144.4% over the same period.

3) Tax Collection and Abatements

Once the mill rate is established, the urban or rural municipality then levies the total mill rate on ratepayers, collects the taxes and remits the school divisions' portions to them. The municipal government also levies, collects and remits taxes on behalf of other local governments, such as library boards. Penalties are charged on late payment of taxes.

Municipalities can abate, compromise or refund taxes and apportion these reductions or refunds amongst the local taxing authorities.

4) Grants-in-Lieu of Taxes

Grants-in-Lieu of taxes are paid to municipalities by both the federal and provincial governments. The federal government pays grants on all its property, but the province only pays for property owned by Crown Corporations and other specified agencies.

Grants-in-lieu of taxes remained a relatively stable share of total urban municipal operating revenues from 6.4% in 1971 to 6.8% in 1982. (Appendix II).

For rural municipalities, these revenues have increased from 0.4% of total revenue in 1971 to 1.2% in 1982. (Appendix VI).

Saskatchewan Power Corporation
Grants and Surcharges

The Saskatchewan Power Corporation (SPC) makes payments to municipalities that are different from those made by other Crown Corporations. Payments by SPC began when local utilities were surrendered by some urban municipalities. They were allowed to ask SPC to collect and remit a surcharge of 10% of electric revenues. These surcharges were later extended to other urban municipalities at the discretion of SPC. (Appendix XI). Rural municipalities do not receive the surcharge.

Electric surcharges amounted to $2.3 million in 1971 and $11.6 million in 1982, a compound average annual increase of 15.8%.

There are also grants-in-lieu of taxes from 3% to 5% of gas revenues paid to all cities and some towns. There is a grant of 5% of electricity revenues paid to all cities. The Corporation considers these to be grants-in-lieu of taxes, unlike other Crown Corporations which pay grants-in-lieu equivalent to property taxes. These SPC grants are not paid to rural municipalities. These grants amounted to $2.1 million in 1971 and $12.8 million in 1982, a compound average annual increase of 17.9%. (Appendix XI).

Recently, these payments have increased more rapidly than other prices due to the rapid increase in energy prices.

5) Commercial and Industrial Tax Sharing

In some tax systems, tax sharing has been implemented for commercial or industrial facilities which are located in one municipality, but which have a cost impact on neighbouring municipalities.

Such a system was introduced in Saskatchewan in the mid-1960's related to potash mines. Potash tax sharing distributes municipal taxes on potash mines to rural and urban municipalities within a 20 mile radius of the mine. An average municipal mill rate is

established for the mine based on a weighting of the previous year's mill rate of the municipalities in that 20 mile radius. The resulting taxes are levied on the mine by the host municipality and the taxes are remitted to the Municipal Potash Tax Sharing Board. The taxes are then distributed based on 10% going to the urban municipalities proportionate to their population and distance from the mine and 90% to the rural municipalities, based on a weighting of the number of sections of land each rural municipality has within a 10 mile and 20 mile radius.

6) Property Tax Relief

Property tax rebates for home owners were first introduced in 1966 as a $50 homeowner grant. The intent of this program was to provide a form of relief from local taxes.

In 1971, the Property Improvement Grant program was implemented, to replace the Homeowner Grant program, in order to reduce the effective mill rate for education to 25 mills. This program provides assistance to Saskatchewan resident property owners under the age of 65 years by rebating a portion of local municipal and school property taxes paid for principal residences, businesses and/or farms. Currently, owners of 128,000 principal residences, 28,000 businesses and 61,000 farms take advantage of the program. The estimated cost of this program in 1984-85 is $47.3 million.

In 1979, additional rebates were introduced for senior citizens and renters. The Senior Citizen School Tax Rebate Program provides assistance to Saskatchewan resident property owners 65 years of age or older by rebating a portion of local municipal and school taxes paid for principal residences, businesses and/or farms. Additional rebate assistance is also provided under the program for school taxes paid by senior citizens on their principal residence. The program currently pays rebates on 54,600 urban principal residences, 12,000 businesses and 13,200 farms. The estimated cost of the program in 1984-85 is $28.4 million.

The Renters Property Tax Rebate Program rebates to renters a portion of local municipal and school property taxes paid indirectly through rental payments. The program is restricted to renters who live in accommodation on which property taxes are paid. Approximately 85,000 renters qualify for the program. In 1984-85, the program is estimated to cost $8.2 million.

In 1984, a new Home Quarter Tax Assistance Program is being introduced. This program is intended to refund the school purpose property taxes on a farmer's designated home quarter and is estimated to cost $11 million in 1984-85.

In 1984-85, those various rebate programs are estimated to cost $94.9 million. In 1983-84, an average of $185 was paid to 411,835 applicants for a total of $76.2 million. (Appendices XII and XIII).

The rebate programs are currently administered by Saskatchewan Urban Affairs.

7) Provincial Government Expenditures

In 1982, the provincial government spent $451.8 million or 15.4% of its total expenditures on operating and capital grants to urban and rural municipal governments and school boards. These funds were divided as follows:

Urban municipalities	-	$ 115.1 million - 3.9%
Rural municipalities	-	$ 42.3 million - 1.4%
School divisions	-	$ 294.4 million -10.1%

H. Debt Financing

Long-term debt cannot be incurred for operating purposes at the local government level. The extent to which debt has been used to finance local governments has been outlined previously. Debt has not been a major source of funding of capital projects for urban and rural governments. These governments have tended to finance capital projects on a pay-as-you-go basis and this has put pressure on current revenue sources such as property taxes and grants.

The same has not been true for schools where debt financing plays a significant role. This has been due mainly to the limit on the downpayment for capital projects of 4 mills and the full recognition of school debt servicing costs in the foundation grant formula.

Before local governments can incur long-term debt, they are required by provincial statute to obtain the prior approval of the Local Government Board (LGB). The role of the LGB is to help preserve the financial viability of local governments. The LGB sets the maximum level of long-term debt which a municipality may incur and authorizes the issue of debentures. In reviewing applications for long-term debt financing, the Board considers a variety of factors including: The ability to service the annual costs; the overall financial position of the local government, and its tax base.

The Municipal Financing Corporation (MFC) also plays an important role in debt financing. The Corporation assists local governments to finance capital projects by offering to purchase up to 50% of any debentures issued and sold by a local government. In the case of Regina and Saskatoon, the maximum purchase is limited to 40% of the total value of the debenture issue. As a result, if local governments are unable to sell all of their debentures locally, then the MFC's offer to purchase the remaining issues up to the specified maximum assures a market for Saskatchewan local government debentures.

CONCLUSION

The Commission will be addressing the financing of local governments in the broadest sense and encourages the participants at the Fall Conference to do the same. The continuing need for expenditure restraint at all levels of government and the increasing concern by taxpayers about all types of taxes means that priorities need to be examined and new approaches considered.

The Discussion Paper has outlined some of the background and broad issues related to local government finances. The Commission encourages Conference participants to consider these issues and suggest other issues that need to be raised and discussed at the Conference. Options for change to meet changing needs should also be considered. Structural problems which inhibit resolution of problems should be identified. Questions related to the authority for raising money and the responsibility for spending that money should be asked. New approaches to enhancing local autonomy and accountability need to be raised.

In this way, innovative solutions can be developed which best meet the needs of all citizens in Saskatchewan.

Local Government Finance
Commission
August 3, 1984

APPENDIX I

POPULATION

	1971	% Share	1976	% Share	1981	% Share
Urban Municipalities						
Cities	395,553	42.7	413,885	44.9	462,831	47.8
Towns	140,927	15.2	144,265	15.7	159,440	16.5
Villages and Resort Villages	71,330	7.7	69,440	7.5	64,190	6.6
Sub-total	607,810	65.6	627,590	68.1	686,461	70.9
Rural Municipalities	274,322	29.6	246,658	26.8	240,472	24.8
Local Improvement Districts	7,979	0.9	8,344	0.9	-	-
Sub-total	282,301	30.5	255,002	27.7	240,472	24.8
Indian Reserves	23,903	2.6	25,296	2.8	26,255	2.7
Uranium City	2,209	0.2	2,028	0.2	2,748	0.3
Other	10,019	1.1	11,407	1.2	12,377	1.3
Sub-total	36,131	3.9	38,731	4.2	41,380	4.3
TOTAL	926,242	100.0	921,323	100.0	968,313	100.0

APPENDIX II

DISTRIBUTION OF OPERATING REVENUES BY CATEGORY
AS PERCENTAGE OF TOTAL - URBANS

	Taxes	Grants In Lieu of Taxes	Other Own Source Revenues	Unconditional Transfers from other Governments	Conditional Transfers from other Governments	Total Operating Revenues
1971	62.1%	6.4%	23.4%	0.3%	7.8%	100.0%
1972	58.9	5.9	27.1	0.1	8.0	100.0
1973	59.0	5.8	29.5	0.0	5.7	100.0
1974	52.6	5.2	28.4	7.0	6.8	100.0
1975	50.1	5.3	26.6	10.3	7.7	100.0
1976	49.2	5.6	29.3	8.6	7.3	100.0
1977	49.6	5.1	28.6	8.5	8.2	100.0
1978	47.2	5.4	26.9	15.0	5.5	100.0
1979	42.7	5.3	29.5	16.8	5.7	100.0
1980	44.0	5.4	29.6	16.2	4.8	100.0
1981	45.6	5.7	29.3	15.8	3.6	100.0
1982	46.4	6.8	27.0	15.8	4.0	100.0

APPENDIX III

DISTRIBUTION OF OPERATING EXPENDITURE BY CATEGORY AS A PERCENTAGE OF TOTAL - URBANS

Year	General Government %	Protective Services %	Transportation %	Environmental Health Services %	Public Health Services %	Environmental Development Services %	Recreation and Cultural Services %	Fiscal Services %	Total % (1)
1971	11.0	21.6	14.8	5.5	6.7	0.7	9.1	30.6	100.0
1972	10.3	20.9	14.3	6.4	6.6	0.9	9.4	31.2	100.0
1973	10.7	22.6	14.1	6.5	4.2	1.2	9.8	30.9	100.0
1974	10.7	22.9	14.8	6.2	4.1	1.2	9.5	30.6	100.0
1975	11.2	22.9	13.5	6.5	4.3	1.8	9.8	30.0	100.0
1976	11.5	22.3	14.7	4.2	3.7	1.4	10.3	31.9	100.0
1977	11.1	22.6	12.1	4.1	4.0	1.9	10.1	34.1	100.0
1978	10.7	22.6	14.3	3.8	5.1	1.8	11.2	30.5	100.0
1979	10.6	21.6	14.8	3.6	4.5	2.0	11.3	31.6	100.0
1980	11.1	22.3	15.6	3.7	4.4	1.9	11.9	29.1	100.0
1981	12.2	23.2	13.0	3.6	4.6	1.7	12.5	29.2	100.0
1982	12.4	23.8	13.8	3.6	4.9	1.8	12.9	26.8	100.0

Note: (1) Prior to 1978 a number of items were included as Fiscal Services Expenditures; for 1978 and later they have been included in either Recreation & Cultural Services or Public Health and Welfare (i.e., Regional Library, Regional Parks, Sanatoria Levy, Public Health Levy and Welfare Per Capita Levy).

APPENDIX IV

CAPITAL EXPENDITURES BY FUNCTION
AVERAGE 1971-81

	General Government %	Protective Services %	Transport-ation %	Environ-mental Health %	Public Health & Welfare %	Environ-mental Develop-ment %	Recrea-tion and Culture %	Utility %	Total %
Cities	3.56	5.36	40.09	5.14	0.37	4.52	14.02	26.94	100.0
Towns	6.11	3.43	32.01	1.50	0.88	5.52	19.50	31.05	100.0
Villages	7.63	6.72	14.84	2.29	0.60	5.12	16.99	45.83	100.0
All Urbans	4.46	4.96	36.48	4.04	0.51	4.81	15.59	29.15	100.0

APPENDIX V

URBAN DEBT FINANCING
($ millions)

Year	Cities			Towns			Villages & Resort Villages			Total Urbans		
	Long-Term Debt	Capital Expenditure	Debt as % of Capital Expenditure	Long-Term Debt	Capital Expenditure	Debt as % of Approved Expenditure	Long-Term Debt	Capital Expenditure	Debt as % of Approved Expenditure	Long-Term Debt	Capital Expenditure	Debt as % of Capital Expenditure
1971	$10.8	$14.6	74.0%	$ 0.9	$ 4.2	21.4%	$ 0.1	$ 1.0	10.0%	$11.8	$19.8	59.6%
1972	6.2	14.2	43.7	0.7	5.7	12.3	0.1	1.8	5.6	7.0	21.7	32.3
1973	5.5	16.2	34.0	0.8	5.6	14.3	0.1	1.3	7.7	6.4	23.1	27.7
1974	2.4	24.6	1.0	0.7	9.6	7.3	0.1	3.2	3.1	3.2	37.4	8.6
1975	21.6	43.4	49.8	1.3	13.6	9.6	0.1	4.2	2.4	23.0	61.2	37.6
1976	19.6	64.8	30.2	1.1	20.2	5.4	0.1	5.5	1.8	20.8	90.5	23.0
1977	18.3	58.8	31.1	3.6	21.1	17.1	0.1	5.4	1.9	22.0	85.3	25.8
1978	20.5	62.4	32.9	4.4	26.7	16.5	0.4	5.8	6.9	25.3	94.9	26.7
1979	21.6	89.3	24.2	5.4	31.3	17.3	0.3	6.6	4.5	27.3	127.2	21.5
1980	n.a.	97.0	n.a.	6.0	35.2	17.0	0.5	8.8	5.7	n.a.	141.0	n.a.
1981	n.a.	100.6	n.a.	4.3	42.7	10.1	0.4	9.7	4.1	n.a.	153.0	n.a.
1982	n.a.	123.7	n.a.	7.8	35.7	21.8	0.4	10.8	3.7	n.a.	170.2	n.a.

Note: Long-term debt includes debenture debt and loans.
1980, 1981 and 1982 city data is incomplete.

APPENDIX VI

DISTRIBUTION OF OPERATING REVENUES BY CATEGORY AS PERCENTAGE OF TOTAL - RURALS

Year	Taxes	Grants In-Lieu-of Taxes	Other Own Source Revenues	Unconditional Transfers From Other Governments	Conditional Transfers from other Governments	Total Operating Revenues
1971	60.1%	0.4%	7.2%	6.8%	25.5%	100.0%
1972	59.9	0.7	7.6	6.5	25.3	100.0
1973	61.2	0.6	8.5	6.9	22.8	100.0
1974	56.3	0.7	9.1	6.1	27.8	100.0
1975	55.2	0.6	8.8	7.6	27.8	100.0
1976	58.5	0.6	7.9	7.1	25.9	100.0
1977	63.9	0.6	7.3	7.7	20.5	100.0
1978	61.3	0.6	8.0	12.3	17.8	100.0
1979	57.0	0.8	9.3	13.0	19.9	100.0
1980	57.9	0.9	9.2	11.6	20.4	100.0
1981	57.0	0.8	10.8	11.0	20.4	100.0
1982	58.5	1.2	9.5	10.9	19.9	100.0

APPENDIX VII

DISTRIBUTION OF OPERATING EXPENDITURES BY CATEGORY AS A PERCENTAGE OF TOTAL - RURALS

Year	General Government %	Protective Services %	Transportation %	Environmental Health Services %	Public Health Services %	Environmental Development Services %	Recreation and Cultural Services %	Fiscal Services %	Total[1] %
1971	11.1	0.4	74.4	0.3	0.1	1.2	0.2	12.3	100.0
1972	11.5	0.4	72.5	0.3	0.1	1.3	0.3	13.7	100.0
1973	12.5	0.4	69.4	0.4	0.5	1.5	0.2	15.2	100.0
1974	11.2	0.6	71.4	0.4	0.1	1.6	0.2	14.5	100.0
1975	11.0	0.6	72.9	0.1	0.2	1.3	0.2	13.7	100.0
1976	11.6	0.8	70.1	0.3	0.1	0.9	0.3	16.0	100.0
1977	12.9	0.7	66.5	0.4	0.1	1.0	0.4	18.1	100.0
1978	12.8	1.1	66.0	0.4	0.7	1.0	1.1	16.9	100.0
1979	11.9	1.6	67.2	0.4	0.5	1.0	1.3	16.2	100.0
1980	12.0	1.8	66.8	0.4	0.5	0.9	1.6	16.0	100.0
1981	11.6	1.9	65.2	0.5	0.5	1.0	1.5	17.7	100.0
1982	11.8	2.2	67.1	0.4	0.4	1.0	1.5	15.8	100.0

Note: [1] Collections for other governments have been deleted from totals. Local Improvement District statistics have been added up to 1978; for 1978 and later, LIDs included in R.M. statistics.

APPENDIX VIII

DISTRIBUTION OF OPERATING REVENUES BY CATEGORY AS A PERCENTAGE OF TOTAL - SCHOOL DIVISIONS

Year	Taxes and Grants In Lieu of %	Other Own Source Revenues %	Provincial Grants %	Total Operating Revenues %
1971	48.0	6.7	45.3	100.0
1972	45.6	6.8	47.6	100.0
1973	43.7	6.9	49.4	100.0
1974	41.1	7.6	51.3	100.0
1975	38.7	7.9	53.4	100.0
1976	37.8	8.4	53.8	100.0
1977	39.0	8.4	52.6	100.0
1978	38.4	8.6	53.0	100.0
1979	38.6	9.1	52.3	100.0
1980	40.5	9.0	50.5	100.0
1981	42.3	9.3	48.4	100.0
1982	44.0	9.0	47.0	100.0

APPENDIX IX

DISTRIBUTION OF OPERATING EXPENDITURES BY CATEGORY
AS A PERCENTAGE OF TOTAL - SCHOOL DIVISIONS

Year	Admin.	Instruction	Plant Oper. & Mtce.	Pymts. to Other Divs.	Pupil Transportation	Ancill. Services	Fiscal Services	Total Expend.
1971	2.1%	64.4%	10.3%	3.0%	8.6%	0.2%	11.2%	100.0%
1972	2.1	65.2	10.4	3.2	8.2	0.2	10.7	100.0
1973	2.2	66.7	10.3	3.6	8.7	0.2	8.3	100.0
1974	2.2	65.9	10.5	4.3	8.7	0.3	8.1	100.0
1975	2.3	65.0	10.8	4.7	8.7	0.3	8.2	100.0
1976	2.2	65.9	10.8	5.1	8.3	0.3	7.4	100.0
1977	2.3	65.0	11.0	5.1	8.3	0.3	8.0	100.0
1978	2.3	64.7	11.2	5.5	8.2	0.4	7.7	100.0
1979	2.4	64.9	11.4	5.6	8.1	0.3	7.3	100.0
1980	2.4	65.0	11.1	5.5	8.0	0.4	7.6	100.0
1981	2.6	65.6	10.8	5.5	8.2	0.4	6.9	100.0
1982	2.5	65.3	10.9	5.6	8.0	0.3	7.4	100.0

APPENDIX X

PERCENT DISTRIBUTION OF SCHOOL CAPITAL EXPENDITURE BY CATEGORY

Year	Purchase of Land	New Buildings	Renovations & Additions	Instructional Furniture & Equipment	Other Expenditure	Total Capital Expenditure
1975	1.9%	36.1%	49.8%	3.8%	8.4%	100.0%
1976	1.4	67.9	17.2	3.7	9.8	100.0
1977	2.8	67.9	20.2	3.6	5.5	100.0
1978	1.9	50.8	33.6	4.4	9.3	100.0
1979	1.0	48.3	35.5	6.5	8.7	100.0
1980	3.9	55.7	25.1	4.5	10.8	100.0
1981	1.5	47.8	39.0	4.0	7.7	100.0
1982	1.1	36.0	50.8	4.0	8.1	100.0

APPENDIX XI

SPC PAYMENTS IN LIEU OF TAXES
($ millions)

Year	Municipal Surcharge	Gas & Electric Grants	Total
1971	$ 2.3	$ 2.1	$ 4.4
1972	2.5	2.3	4.8
1973	2.7	2.3	5.0
1974	3.0	2.5	5.5
1975	3.4	3.2	6.6
1976	4.5	4.6	9.1
1977	5.5	5.6	11.1
1978	6.7	6.7	13.4
1979	7.7	7.6	15.3
1980	8.4	8.0	16.4
1981	10.1	8.9	19.0
1982	11.6	12.8	24.4
Compound Average Annual Rate of Increase	15.8%	17.9%	16.9%

APPENDIX XII

PROPERTY TAX REBATES

		Total Expenditures
1966 - 67		$ 8,183,981
1967 - 68		8,577,239
1968 - 69		8,696,743
1969 - 70		8,854,956
1970 - 71		10,526,179
1971 - 72		12,330,747
1972 - 73		18,739,316
1973 - 74		30,214,805
1974 - 75		34,094,281
1975 - 76		40,665,659
1976 - 77		42,812,623
1977 - 78		45,049,587
1978 - 79		52,024,997
1979 - 80	PIG[1]	41,390,563
	SCSTR[2]	16,660,138
	RPTR[3]	3,418,383
	Total	$ 61,469,084
1980 - 81	PIG	42,167,360
	SCSTR	18,304,158
	RPTR	4,608,927
	Total	$ 65,080,444
1981 - 82	PIG	43,365,908
	SCSTR	20,185,397
	RPTR	5,251,083
	Total	$ 68,802,388

[1] Property Improvement Grant

[2] Senior Citizens School Tax Rebate

[3] Renters Property Tax Rebate

		Total Expenditures
1982 - 83	PIG	$ 44,624,655
	SCSTR	23,660,631
	RPTR	8,254,374
	Total	$ 76,539,660
1983 - 84	PIG	44,821,105
	SCSTR	25,435,807
	RPTR	7,572,370
	Total	$ 77,829,282

APPENDIX XIII

Analysis of Property Tax Rebate Payments

PIG[1] 1983 - 84 (Only) Excludes Prior Years

	# At Maximum	# Below Maximum	Total # of Applications	Average Paid	Total Paid
Principal Residence	106,501	19,922	126,423	$ 218	$27.57M
Business	4,616	22,236	26,852	132	3.54M
Farm	8,539	51,502	60,041	219	13.15M
Total	119,656	93,660	213,316	$ 207	$44.25M

SCSTR[2] 1983 - 84 (Only) Excludes Prior Years

Part A	# At Maximum	# Below Maximum	Total # of Applications	Average Paid	Total Paid
Principal Residence	32,342	22,085	54,427	$ 242	$13.19M
Business	397	11,250	11,647	128	1.49M
Farm	830	12,259	13,089	213	2.78M
Total	33,569	45,594	79,163	$ 221	$17.46M
Part B					
Principal Residence	11,058	43,390	54,448	$ 112	$ 6.12M
Business	813	1,147	1,960	180	0.35M
Farm	3,030	4,896	7,926	179	1.42M
Total	14,901	49,433	64,334	$ 123	$ 7.89M
Total A & B					
Principal Residence	n.a.	n.a.	54,427	$ 355	$19.32M
Business	n.a.	n.a.	11,647	158	1.84M
Farm	n.a.	n.a.	13,089	321	4.20M
Total	n.a.	n.a.	79,163	$320	$25.36M

[1] Property Improvement Grant
[2] Senior Citizens School Tax Rebate

Renters 1983 - 84 (Only) Excludes Prior Years

# At Maximum	# Below Maximum	Total # of Applications	Average Paid	Total Paid
25,419	29,603	55,022	$ 120	$ 6.60M

	Total # of Applications	Average Paid	Total Paid
Total 3 Programs	411,835	$185	$ 76.21M